

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03

SS-15 NSC-05 XMB-02 TRSE-00 EUR-12 /072 W

----- 087751

R 211045Z JUL 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 5287

AMEMBASSY BANGKOK

INFO AMEMBASSY ROME

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE COLOMBO 2606

E.O. 11652:N/A

TAGS: EAIR, ETRD, CE,TH

SUBJECT: CIVAIR: AIR CEYLON'S CONTINUED INTEREST IN WIDEBODIED
AIRCRAFT

MF: COLOMBO 1916 (NOTAL)B. BANGKOK 15190 (NOTAL)

1. DURING CHANCE MEETING IN LOCAL HOTEL LOBBY ON JULY 20,
BOEING REP MICHEL FITZGERALD (BASED IN NEW DELHI) TOLD
EMBOFF THAT HE WAS IN COLOMBO TO HELP NEGOTIATE THE LEASE
OF A KLM-OWNED 747 TO AIR CEYLON. FITZGERALD INDICATED
THE DEAL WAS ALMOST, BUT NOT QUITE, CONSUMATED. HE ALSO
SAID AIR CEYLON WAS VERY INTERESTED IN ACQUIRING A 727
FOR REGIONAL SERVICE.

2. ACCORDING TO FITZGERALD,THE LEAY Q 747 WOULD BE USED
JOINTLY BY AIR CEYLON AND AIR SIAM USING AIR SIAM CREWS
AND UTILIZING AIR CEYLON TRAFFIC RIGHTS. THE PROPOSED
ROUTE WOIFD BE BANGKOK-COLOMBO-KARACHI-FRANKFURT AND RETURN.
THE IMMEDIATE PROBLEM SEEMED TO BE AIR CEYLON'S DIFFICULTY IN
RAISING \$50,000 NEEDED FOR DEPOSIT. FITZGERALD SAID
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THAT AIR CEYLON HAS JUST FOUND SUFFICIENT FINANCIAL

BACKING, AND HE WAS CONFIDENT THE DEAL WOULD BE CLOSED SHORTLY.

3. WHEN ASKED IF AIR SIAM HAD GONE BANKRUPT YET, FITZGERALD CHEERFULLY REPLIED "NOT YET." THIS PROMPTED HIM TO MENTION THAT BOEING HAS REPOSSESSED AIRCRAFT, SOMETIMES WITHOUT LESSEE OR HOST COUNTRY PERMISSION.

4. BY COINCIDENCE, THE LOCAL MCDONNELL DOUGLAS REP NEVIS MOTHAS CAME TO THE EMBASSY A FEW DAYS EARLIER TO REPORT THAT DOUGLAS OFFICIALS PLANNED TO VISIT COLOMBO AFTER THE AUGUST NON-ALIGNED SUMMIT CONFERENCE TO NEGOTIATE THE SALE OF A DC-10 TO AIR CEYLON. DOUGLAS IS PREPARED TO OFFER AN OFFSET PROGRAM OF EXPORT PROMOTION TO HELP SRI LANKA OBTAIN ADDITIONAL FOREIGN EXCHANGE TO PAY FOR THE AIRCRAFT. MOTHAS WAS JUST AS CONFIDENT AS FITZGERALD THAT HIS DEAL WOULD GO THROUGH.

5. COMMENT: IT IS NOT CLEAR HOW MUCH BOEING AND DOUGLAS KNOW ABOUT EACH OTHER'S ACTIVITIES HERE. GIVEN THE PRECARIOUS FINANCIAL CONDITION OF BOTH AIR CEYLON AND AIR SIAM, EVEN A LEASE ARRANGEMENT, LET ALONE A SALE, WOULD SEEM A RATHER RISKY BUSINESS. AIR CEYLON GENERAL MANAGER, E. WICKREMARATNE, IS PRESENTLY IN BANGKOK, REPORTEDLY TALKING WITH AIR SIAM OFFICIALS. WHEN HE RETURNS AT END OF JULY, WE WILL TRY TO GET MORE INFORMATION ON AIR CEYLON ACQUISITION PLANS.

6. FOR BANGKOK: WE WOULD APPRECIATE A CURRENT READING ON AIR SIAM'S SITUATION AND ANY INFORMATION YOU MIGHT HAVE ON PLANS TO ASSOCIATE WITH AIR CEYLON. REFTEL B MENTIONED THAT AIR SIAM HAD LEASED A 747 FROM KLM; COULD THIS BE THE SAME AIRCRAFT FITZGERALD IS NOW TRYING TO LEASE TO AIR CEYLON?
REED

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Margaret P. Grafeld
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